

# Action Construction Equipment Ltd.

Corporate & Regd. Office

Dudhola Link Road, Dudhola, Distt. Palwal - 121102, Haryana, India



**Date: 20<sup>th</sup> February, 2018**

To,

The Manager Listing  
BSE Limited  
5th Floor, P.J. Towers,  
Dalal Street,  
Mumbai-400001

**Scrip Code: 532762**

The Manager Listing  
National Stock Exchange of India Ltd.  
Exchange Plaza, Bandra Kurla Complex,  
Bandra (E),  
Mumbai-400051

**CM Quote: ACE**

**Subject: Intimation of Revision of Credit Rating.**

Dear Sir/Madam,

Pursuant to Regulation 30(6) of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015. We wish to inform that CRISIL has upgraded its rating on the long term bank facilities of the Company to '**CRISIL A+/Stable**' from '**CRISIL A/Positive**' and reaffirmed the rating on the Short term bank facility and commercial paper programme at '**CRISIL A1**'.

Further, the aforesaid information is also disclosed on the website of the Company i.e. [www.ace-cranes.com](http://www.ace-cranes.com) and CRISIL's website at the link [https://www.crisil.com/mnt/winshare/Ratings/RatingList/RatingDocs/Action\\_Construction\\_Equipment\\_Limited\\_February\\_19\\_2018\\_RR.html](https://www.crisil.com/mnt/winshare/Ratings/RatingList/RatingDocs/Action_Construction_Equipment_Limited_February_19_2018_RR.html)

Copy of credit rating published on CRISIL's website is also enclosed for your reference.

This is for your information and record please.

Thanking you  
Yours faithfully

**For Action Construction Equipment Limited**

*Anil Kumar*

**Anil Kumar  
Company Secretary**



Corporate Office : Phone : +91-1275-280111 (50 Lines), Fax :+91-1275-280133, E-mail : works2@ace-cranes.com

Mktg. H.Q.: 4th Floor, Pinnacle, Surajkund, Faridabad, NCR-121009, Phone: +91-129-4550000 (100 Lines), Fax : +91-129-4550022, E-mail: marketing@ace-cranes.com

Customer Care No.: 1800 1800 004 (Toll Free), CIN : L74899HR1995PLC053860

*Nothing beats an **ACE***

www.ace-cranes.com

## Rating Rationale

February 19, 2018 | Mumbai

### Action Construction Equipment Limited

Long-term rating upgraded to 'CRISIL A+/Stable'; short-term rating reaffirmed

#### Rating Action

Total Bank Loan Facilities Rated	Rs.295 Crore
Long Term Rating	CRISIL A+/Stable (Upgraded from 'CRISIL A/Positive')
Short Term Rating	CRISIL A1 (Reaffirmed)

Rs.25 Crore Commercial Paper Programme	CRISIL A1 (Reaffirmed)
--	------------------------

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

#### Detailed Rationale

CRISIL has upgraded its rating on the long-term bank facilities of Action Construction Equipment Ltd (ACE) to '**CRISIL A+/Stable**' from 'CRISIL A/Positive', and reaffirmed the rating on the short-term bank facility and commercial paper programme at 'CRISIL A1'.

The rating upgrade reflects expectation of continued improvement in the business risk profile over medium term, driven by sustained pick-up in demand from the construction sector, particularly roads. In the nine months ended December 31, 2017, revenue increased by 38% compared with the corresponding period of the previous fiscal, driven by higher investments and execution in the road sector. This led to an improvement in the operating margin to 7.5% from 5.9% over this period because of higher absorption of fixed costs. However, overall debt increased to Rs 140 crore as on September 30, 2017, mainly on account of higher working capital requirement commensurate with the increased business.

The improved operational performance has resulted in better debt protection metrics. Net cash accrual to total debt and interest coverage ratios are estimated at over 0.3 time and 6 times, respectively, for fiscal 2018, as against 0.22 time and 3.21 times, respectively, in fiscal 2017. The return on capital employed (RoCE) is also expected to improve to over 15% from 9.2% in fiscal 2017. The gearing is estimated to remain low at below 0.50 time as of March 31, 2018.

The ratings reflect a diversified customer base in the material-handling equipment, cranes, and tractor industries, a strong market position in the cranes business, and comfortable liquidity. These strengths are partially offset by vulnerability to cyclical in infrastructure investment in India, susceptibility of profitability to volatility in raw material prices, and high operating leverage.

#### Analytical Approach

For arriving at the ratings, CRISIL has combined the business and financial risk profiles of ACE and its subsidiaries, Frested Ltd (100% subsidiary), SC Forma SA (89.50%), and Namu Metals (90%). That's because all the entities, collectively referred to herein as ACE, have the same promoters and management, a common marketing network, and strong business and financial linkages.

CRISIL has changed its analytical approach and has treated the entire outstanding preference shares of Rs 30 crore as on March 2017 as debt as per its criteria for preference share capital, from the earlier approach of treating it as 50% debt and 50% equity. That's because CRISIL now expects these shares to be redeemed over the medium term on account of higher cash accrual.

#### Key Rating Drivers & Detailed Description

##### Strengths

\* **Diversified customer profile:** The product portfolio comprises cranes, material handling equipment, construction equipment, and agriculture equipment. This diverse product range enables the company to cater to multiple end-user industries. Moreover, it has a strong market position in the 'pick-and-carry' crane segment.

\* **Adequate financial risk profile:** That's because of a robust capital structure and healthy debt protection metrics. Furthermore, there was an unencumbered cash and cash equivalent balance of Rs 38 crore as on March 31, 2017.

##### Weakness

\* **Vulnerability of revenue to cyclical in infrastructure investments in India:** As the company primarily caters to construction and infrastructure sectors, growth in business is directly linked to level of investments, both by government and private players, which is dependent on economic growth in the country, and hence, is inherently cyclical in nature.

\* **Susceptibility of profitability to volatility in raw material prices, and a high operating leverage:** Operating profitability is susceptible to movements in input prices with steel being the major raw material. Profitability is also constrained by inability to pass on any increase in raw material costs in full to the customers given the competitive nature of the construction equipment industry.

**Outlook: Stable**

CRISIL believes the operating performance will continue to improve at a steady pace over the medium term. The outlook may be revised to 'Positive' in case of substantial improvement in market share or further diversification of the product portfolio, leading to considerable improvement in the business risk profile. The outlook may be revised to 'Negative' in case of lower-than-expected growth in sales and profitability, and/or higher-than-expected debt either due to subdued offtake of ACE's products or large working capital requirement, adversely affecting the debt protection metrics and liquidity.

**About the Company**

Incorporated in 1995, ACE caters to the construction equipment industry. It has four manufacturing facilities at Ballabhgarh and Dhudholla in Faridabad, Haryana. Products include hydraulic mobile cranes, mobile and fixed-tower cranes, lorry-loader cranes, crawler cranes, back hoe and wheeled loaders, forklift trucks, tractors, combined harvesters, and rotavators. The company has more than 10,000 customers, including industry leaders such as Simplex Infrastructure Ltd, Larsen and Toubro Ltd ('CRISIL AAA/FAAA/Stable/CRISIL A1+'), Reliance Industries Ltd ('CRISIL AAA/Stable/CRISIL A1+'), NCC Ltd, and NTPC Ltd ('CRISIL AAA/FAAA/Stable/CRISIL A1+').

ACE merged ACE TC Rentals Pvt Ltd with itself with effect from April 1, 2014. This company, owned by ACE's promoters, undertook equipment leasing.

**Key Financial Indicators**

As on/for the period ended March 31		2017	2016
Revenue	Rs Crores	751	637
Profit after tax (PAT)	Rs Crores	19	9
PAT Margins	%	2.6	1.4
Adjusted debt/adjusted network	Times	0.44	0.62
Interest coverage	Times	3.21	2.85

**Any other information:** Not applicable

**Note on complexity levels of the rated instrument:**

CRISIL complexity levels are assigned to various types of financial instruments. The CRISIL complexity levels are available on [www.crisil.com/complexity-levels](http://www.crisil.com/complexity-levels). Users are advised to refer to the CRISIL complexity levels for instruments that they consider for investment. Users may also call the Customer Service Helpdesk with queries on specific instruments.

**Annexure - Details of Instrument(s)**

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue (Rs Cr)	Rating outstanding with Outlook
NA	Cash Credit\$	NA	NA	NA	95	CRISIL A+/Stable
NA	Letter of credit & Bank Guarantee*	NA	NA	NA	40	CRISIL A+/Stable
NA	Letter of credit & Bank Guarantee	NA	NA	NA	135	CRISIL A1
NA	Term Loan	NA	NA	Mar-22	25	CRISIL A+/Stable
NA	Commercial Paper	NA	NA	7-365 days	25	CRISIL A1

\$Interchangeable with letter of credit or bank guarantee to the extent of Rs 5 crore

\*Interchangeable with cash credit to the extent of Rs 40 crore

**Annexure - Rating History for last 3 Years**

Instrument	Type	Current		2018 (History)		2017		2016		2015		Start of 2015
		Quantum	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Commercial Paper	ST	25	CRISIL A1		No Rating Change		No Rating Change		No Rating Change	24-06-15	CRISIL A1	--
Fund-based Bank Facilities	LT/ST	120	CRISIL A+/Stable		No Rating Change	23-06-17	CRISIL A/Positive	16-06-16	CRISIL A/Stable	24-06-15	CRISIL A/Negative	CRISIL A/Stable
Non Fund-based Bank Facilities	LT/ST	175	CRISIL A+/Stable/CRISIL A1		No Rating Change	23-06-17	CRISIL A/Positive/CRISIL A1	16-06-16	CRISIL A/Stable/CRISIL A1		No Rating Change	CRISIL A1

Table reflects instances where rating is changed or freshly assigned. 'No Rating Change' implies that there was no rating change under the release.

**Annexure - Details of various bank facilities**

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Cash Credit\$	95	CRISIL A+/Stable	Cash Credit\$	95	CRISIL A/Positive
Letter of credit & Bank Guarantee*	40	CRISIL A+/Stable	Letter of credit & Bank Guarantee*	40	CRISIL A/Positive
Letter of credit & Bank Guarantee	135	CRISIL A1	Letter of credit & Bank Guarantee	135	CRISIL A1
Term Loan	25	CRISIL A+/Stable	Term Loan	25	CRISIL A/Positive

<b>Total</b>	<b>295</b>	<b>--</b>	<b>Total</b>	<b>295</b>	<b>--</b>
--------------	------------	-----------	--------------	------------	-----------

\$Interchangeable with letter of credit or bank guarantee to the extent of Rs 5 crore

\*Interchangeable with cash credit to the extent of Rs 40 crore

#### Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating criteria for manufacturing and service sector companies](#)

[Rating Criteria for Engineering Sector](#)

[CRISILs Criteria for rating short term debt](#)

#### For further information contact:

Media Relations	Analytical Contacts	Customer Service Helpdesk
<p><b>Saman Khan</b> Media Relations <b>CRISIL Limited</b> D: +91 22 3342 3895 B: +91 22 3342 3000 <a href="mailto:saman.khan@crisil.com">saman.khan@crisil.com</a></p> <p><b>Naireen Ahmed</b> Media Relations <b>CRISIL Limited</b> D: +91 22 3342 1818 B: +91 22 3342 3000 <a href="mailto:naireen.ahmed@crisil.com">naireen.ahmed@crisil.com</a></p> <p><b>Jyoti Parmar</b> Media Relations <b>CRISIL Limited</b> D: +91 22 3342 1835 B: +91 22 3342 3000 <a href="mailto:jyoti.parmar@crisil.com">jyoti.parmar@crisil.com</a></p>	<p><b>Sachin Gupta</b> Senior Director - CRISIL Ratings <b>CRISIL Limited</b> D: +91 22 3342 3023 <a href="mailto:Sachin.Gupta@crisil.com">Sachin.Gupta@crisil.com</a></p> <p><b>Nitesh Jain</b> Director - CRISIL Ratings <b>CRISIL Limited</b> D: +91 22 3342 3329 <a href="mailto:nitesh.jain@crisil.com">nitesh.jain@crisil.com</a></p> <p><b>Kshitij Jain</b> Rating Analyst - CRISIL Ratings <b>CRISIL Limited</b> D: +91 22 3342 4051 <a href="mailto:Kshitij.Jain@crisil.com">Kshitij.Jain@crisil.com</a></p>	<p>Timings: 10.00 am to 7.00 pm Toll free Number: 1800 267 1301</p> <p>For a copy of Rationales / Rating Reports: <a href="mailto:CRISILratingdesk@crisil.com">CRISILratingdesk@crisil.com</a></p> <p>For Analytical queries: <a href="mailto:ratingsinvestordesk@crisil.com">ratingsinvestordesk@crisil.com</a></p>

**Note for Media:**

This rating rationale is transmitted to you for the sole purpose of dissemination through your newspaper / magazine / agency. The rating rationale may be used by you in full or in part without changing the meaning or context thereof but with due credit to CRISIL. However, CRISIL alone has the sole right of distribution (whether directly or indirectly) of its rationales for consideration or otherwise through any media including websites, portals etc.

**About CRISIL Limited**

CRISIL is an agile and innovative, global analytics company driven by its mission of making markets function better. We are India's foremost provider of ratings, data, research, analytics and solutions. A strong track record of growth, culture of innovation and global footprint sets us apart. We have delivered independent opinions, actionable insights, and efficient solutions to over 100,000 customers.

We are majority owned by S&P Global Inc., a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

For more information, visit [www.crisil.com](http://www.crisil.com)

Connect with us: [TWITTER](#) | [LINKEDIN](#) | [YOUTUBE](#) | [FACEBOOK](#)

**About CRISIL Ratings**

CRISIL Ratings is part of CRISIL Limited ("CRISIL"). We pioneered the concept of credit rating in India in 1987. CRISIL is registered in India as a credit rating agency with the Securities and Exchange Board of India ("SEBI"). With a tradition of independence, analytical rigour and innovation, CRISIL sets the standards in the credit rating business. We rate the entire range of debt instruments, such as, bank loans, certificates of deposit, commercial paper, non-convertible / convertible / partially convertible bonds and debentures, perpetual bonds, bank hybrid capital instruments, asset-backed and mortgage-backed securities, partial guarantees and other structured debt instruments. We have rated over 24,500 large and mid-scale corporates and financial institutions. CRISIL has also instituted several innovations in India in the rating business, including rating municipal bonds, partially guaranteed instruments and microfinance institutions. We also pioneered a globally unique rating service for Micro, Small and Medium Enterprises (MSMEs) and significantly extended the accessibility to rating services to a wider market. Over 1,10,000 MSMEs have been rated by us.

**CRISIL PRIVACY NOTICE**

CRISIL respects your privacy. We use your contact information, such as your name, address, and email id, to fulfil your request and service your account and to provide you with additional information from CRISIL and other parts of S&P Global Inc. and its subsidiaries (collectively, the "Company") you may find of interest.

For further information, or to let us know your preferences with respect to receiving marketing materials, please visit <https://www.crisil.com/en/home/privacy-and-cookie-notice.html>. You can view the Company's Customer Privacy at <https://www.spglobal.com/corporate-privacy-policy>

Last updated: April 2016

**DISCLAIMER**

This disclaimer forms part of and applies to each credit rating report and/or credit rating rationale that we provide (each a "Report"). For the avoidance of doubt, the term "Report" includes the information, ratings and other content forming part of the Report. The Report is intended for the jurisdiction of India only. This Report does not constitute an offer of services. Without limiting the generality of the foregoing, nothing in the Report is to be construed as CRISIL providing or intending to provide any services in jurisdictions where CRISIL does not have the necessary licenses and/or registration to carry out its business activities referred to above. Access or use of this Report does not create a client relationship between CRISIL and the user.

We are not aware that any user intends to rely on the Report or of the manner in which a user intends to use the Report. In preparing our Report we have not taken into consideration the objectives or particular needs of any particular user. It is made abundantly clear that the Report is not intended to and does not constitute an investment advice. The Report is not an offer to sell or an offer to purchase or subscribe for any investment in any securities, instruments, facilities or solicitation of any kind or otherwise enter into any deal or transaction with the entity to which the Report pertains. The Report should not be the sole or primary basis for any investment decision within the meaning of any law or regulation (including the laws and regulations applicable in the US).

Ratings from CRISIL Rating are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities / instruments or to make any investment decisions. Any opinions expressed here are in good faith, are subject to change without notice, and are only current as of the stated date of their issue. CRISIL assumes no obligation to update its opinions following publication in any form or format although CRISIL may disseminate its opinions and analysis. CRISIL rating contained in the Report is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment or other business decisions. The recipients of the Report should rely on their own judgment and take their own professional advice before acting on the Report in any way.

Neither CRISIL nor its affiliates, third party providers, as well as their directors, officers, shareholders, employees or agents (collectively, "CRISIL Parties") guarantee the accuracy, completeness or adequacy of the Report, and no CRISIL Party shall have any liability for any errors, omissions, or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the Report. EACH CRISIL PARTY DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall any CRISIL Party be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the Report even if advised of the possibility of such damages.

CRISIL Ratings may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of the instruments, facilities, securities or from obligors. CRISIL's public ratings and analysis as are required to be disclosed under the regulations of the Securities and Exchange Board of India (and other applicable regulations, if any) are made available on its web sites, [www.crisil.com](http://www.crisil.com) (free of charge). Reports with more detail and additional information may be available for subscription at a fee – more details about CRISIL ratings are available here: [www.crisilratings.com](http://www.crisilratings.com).

CRISIL and its affiliates do not act as a fiduciary. While CRISIL has obtained information from sources it believes to be reliable, CRISIL does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives and / or relies in its Reports. CRISIL keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of the respective activity. As a result, certain business units of CRISIL may have information that is not available to other CRISIL business units. CRISIL has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process. CRISIL has in place a ratings code of conduct and policies for analytical firewalls and for managing conflict of interest. For details please refer to: <https://www.crisil.com/en/home/our-businesses/ratings/regulatory-disclosures/highlighted-policies.html>

CRISIL's rating criteria are generally available without charge to the public on the CRISIL public web site, [www.crisil.com](http://www.crisil.com). For latest rating information on any instrument of any company rated by CRISIL you may contact CRISIL RATING DESK at [CRISILratingdesk@crisil.com](mailto:CRISILratingdesk@crisil.com), or at (0091) 1800 267 1301.

This Report should not be reproduced or redistributed to any other person or in any form without a prior written consent of CRISIL.

All rights reserved @ CRISIL